

Will September Deja Vu Continue?

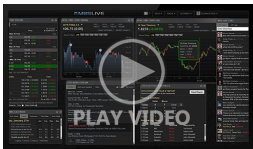
Market Summary: Thursday, September 18, 2025 - 4:36PM

Rates rallied hard into last September 2024's Fed rate cut and then bounced relentlessly higher. With average rates up about a quarter point since Tuesday, the parallels are certainly there. But Last year's spike didn't happen so abruptly on Fed day and the day after. It required upbeat econ data to send rates screaming higher. In today's case, we had two separate upbeat reports. This was barely worth an eighth of a point of weakness in MBS and not even 3bps of weakness in 10yr yields, but on average, lenders are feeling defensive (when MBS prices were at the same levels 2 weeks ago, rates were almost 10bps lower). The good news is this: the deja vu is both coincidental and driven by objective developments. It's not on a pre-set course and it won't continue if incoming economic data is weak. The bad news is that if the incoming data is surprisingly strong, well... you know.

Market Movement Recap

- 08:23 AM MBS up an eighth and 10yr down 1.6bps at 4.064
- 08:37 AM Slightly weaker after data. MBS still up 1 tick (.03) and 10yr up 0.1bps at 4.081
- 09:39 AM Losses continue. MBS down 6 ticks and 10yr up 4.9bps at 4.129
- 12:27 PM sideways after early losses. MBS down 3 ticks (.09) and 10yr up 3bps at 4.111
- 03:17 PM MBS down just over an eighth and 10yr up 3.4bps at 4.115

Latest Video Analysis



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MBS & Treasury Markets

UMBS 5.0	99.46	-0.13	10YR	4.110%	+0.029%	9/18/2025 4:35PM EST
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An Alert, But Not Exactly a "Reprice" Alert

The main function of an alert on MBS Live is to serve as a warning for potential negative reprices. Sometimes, they are simply used to highlight the type of market movement that would result in negative reprices. This is only really an issue in the first two hours of trading when market movement happens before lenders are out with their first rate sheets of the day.

So here's your alert.

Bonds didn't sell too much in the first 15 minutes after this morning's econ data, but the losses picked up steam after that. Unlike the typical move with this timing, we do indeed view this as a delayed reaction to the data which, in turn, took out some bond traders' stop loss levels and created a mini-snowball sell-off.

10s are up 5.2bps at 4.133 and MBS are down just under a quarter point.

MBS MORNING: Losing Ground After Stronger Econ Data

ALERT: Negative Reprices Increasingly Likely If You Haven't Seen One Yet

Today's Mortgage Rates

30YR Fixed	6.37%	+0.15%	15YR Fixed	5.88%	+0.13%	9/18/2025
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If You're One of Those People Asking How Much Lower Your Mortgage Rate Quote is After Fed Day, This is Required Reading

It's day two of surging higher--now back to the highest levels in 2 weeks (the day before the September 5th jobs report). The juxtaposition of yesterday's Fed rate cut and the sudden mortgage rate spike is incredibly confusing to most of the population, so let's clear it up.

SHORT VERSION:

- The Fed Funds Rate (FFR) doesn't dictate mortgage rates
- The FFR only changes on Fed announcement days, 8 times a year. It changes in response to various economic reports and events.
- Mortgage rates change daily and the bonds that drive mortgage rates change in real-time throughout the day. That means mortgage rates can drop for all the same reasons that drove yesterday's rate cut.
- Because those reasons were already in play well before yesterday, mortgage rates had already responded to them well before yesterday.
- Bottom line: the Fed Funds Rate and mortgage rates dropped for the same reasons, but mortgage rates got to do it sooner because they move more nimbly.

LONG VERSION:

- We've written and re-written the long version too many times to count. Here is one of the most evergreen examples:

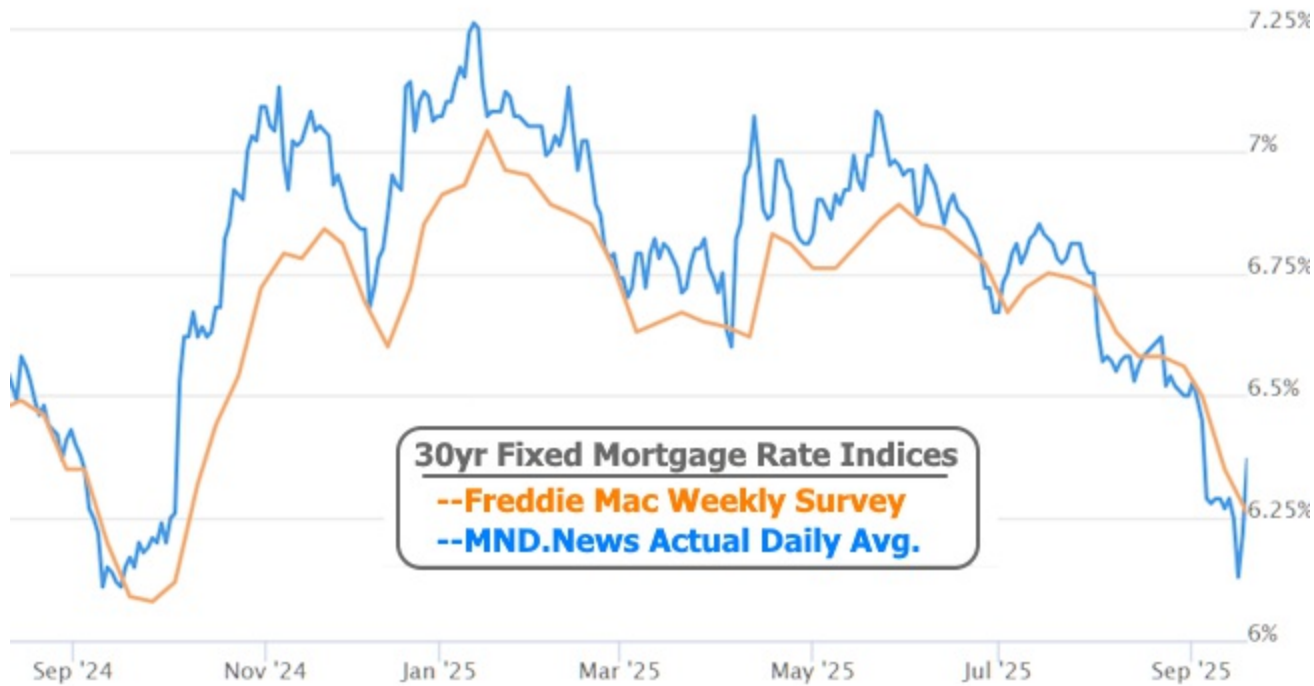
SPECIAL NOTE REGARDING OTHER NEWS STORIES SAYING RATES ARE LOWER:

There are an unfortunate number of news articles out there today that claim mortgage rates are LOWER. This is due to Freddie Mac's weekly rate survey dropping to 6.26 from 6.35 last week. Freddie's rate is an average of the 5 days ending yesterday, so 80% of the input is comprised of the lowest rates in a long time. News organizations then quote the survey and give the impression that this week's rates are lower than last week's.

But what the survey really means is that the average rate from Thursday the 11th through yesterday was lower than the average rate between Thursday the 4th and Wednesday the 10th. You can't go back to the first 3 days of this week and lock those rates, so unequivocally, undoubtedly, and incontrovertibly, the rates you can lock today are absolutely higher than last week's and the average lender is at 2-week highs. There is no question, debate, or nuance to this fact. Anyone who tells you something else is wrong or misinformed. Period.

BOTTOM LINE:

Do not call/email/text your loan officer asking how much lower rates are now that the Fed has cut. You're late to the party. Mortgage rates are still lower than almost all of the past 11 months apart from the past 2 weeks. They're SHARPLY higher between yesterday and today (roughly 0.25%, which is a very big 2-day move).



Time	Event	Actual	Forecast	Prior
Thursday, Sep 18				
8:30AM	Sep/06 Continued Claims (k)	1920K	1950K	1939K
8:30AM	Sep/13 Jobless Claims (k) ★	231K	240K	263K
8:30AM	Sep Philly Fed Business Index ☆	23.2	2.3	-0.3
8:30AM	Sep Philly Fed Prices Paid	46.80		66.80
10:00AM	Aug CB Leading Index MoM (%)	-0.5%	-0.2%	-0.1%
1:00PM	10-yr Note Auction (bl) ★	19		
Friday, Sep 19				
12:00AM	Roll Date - Ginnie Mae 30YR			

Recent Housing News

- Obvious Signs of Life in Mortgage Apps Thanks to Rate Rally
- Refi Demand Improves While Purchase Applications Edge Lower
- Home Prices Still Growing, But at The Slowest Pace Since 2012

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The Fed is Cutting Rates Next Week, But Not Mortgage Rates

Markets have settled into a cycle that favors the jobs report as the only critical economic data as far as rates are concerned. This week's inflation data had a chance to claim/preserve a role as a strong supporting actor, but instead, it basically stood aside and left focus on the labor market and the Fed's interpretation of recent labor market weakness. A majority of the notion of "recent lab...

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